

Chapter 18

Fixed Assets

18-1. General

This chapter prescribes policies for financial accounting of fixed assets. It applies to assets meeting established financial criteria for both Defense Business Operations Fund (DBOF) and non-DBOF Table of Distribution and Allowances (TDA) activities. It excludes reporting of fixed assets belonging to Table of Organization and Equipment (TOE) and Modified TOE (MTOE) units.

a. Fixed assets. Fixed assets are tangible assets of a relatively fixed or permanent nature that, for the purposes of this chapter, meet the capitalization criteria. Fixed assets are for the production of other assets or services and not intended for resale to customers. Fixed assets have two major categories: real property (land, buildings and related structures) and personal property (weapons systems and other military equipment). For purposes of this regulation, consider U.S. Army personal property as military equipment. Fixed assets are often referred to as property, plant and equipment.

b. Other assets. Refer to Chapter 19, for accounting policy and procedures for assets classified as "other fixed assets" and "other assets," such as automatic data processing (ADP) software and intangible assets.

18-2. Professional requirements

To establish and maintain proper financial accounting control of fixed assets, accountants must know:

- a.* The DoD financial capitalization criteria for new and/or used assets, improvements or additions to assets.
- b.* Various types of property records used to control and account for fixed assets.
- c.* Procedures for transfer, retirement, and sale of fixed assets.
- d.* Procedures for controlling U.S. Government furnished property (GFP).
- e.* Procedures and methods for calculating and recording depreciation and amortization.
- f.* Definitions and procedures for capitalizing and accounting for "Other Assets" contained in Chapter 19.
- g.* Definitions of standard general ledger (SGL) accounts for fixed assets in Chapter 4.

18-3. Responsibilities

a. Defense Finance and Accounting Service-Indianapolis Center, Directorate for Finance and Accounting Policy Implementation (DFAS-IN/AM) is responsible for issuing detailed accounting guidance for activities to implement DoD policy.

b. Accountable real and personal property officers will:

- (1) maintain accountable real and personal property records according to the 400 and 700 series of U.S.

Army regulations as appropriate; these are the subsidiary records supporting the General Ledger.

(2) provide the supporting Finance and Accounting Offices/Defense Accounting Offices (FAOs/DAOs) with the category of assets (land, buildings, etc.) and the dollar amounts of items meeting the DoD capitalization thresholds for maintaining financial control of fixed assets.

c. FAOs/DAOs will:

(1) maintain appropriate general ledger accounts for fixed assets.

(2) establish local procedures for updating the SGL accounts with feeder information from accountable real and personal property officers.

(3) maintain close coordination with the accountable property offices.

(4) analyze general ledger balances to determine and explain unusual variances from period to period.

18-4. Capitalization Overview

The primary basis for financial accounting of a fixed (capital) asset is the item's acquisition (historical) cost. Acquisition cost consists of the amount, less discounts paid or payable, plus all normal incidental costs necessary to make the asset ready for use at the required location such as transportation and installation. If the acquisition cost is unknown, use an estimated fair market value. Expense assets not meeting the capitalization criteria described below; however, expensed items may be required to be recorded in the accountable property records to provide appropriate internal control, especially, if the items are sensitive and subject to theft. Therefore, costs recorded as assets in real and personal property accountability records and systems cannot always equal the summary balances reported for financial accounting and reporting. Summary financial balances must however, be verified, supported, and reconcilable to accountable real and personal records to ensure the integrity of data contained in year-end reports and financial statements. Use the straight-line method when depreciating fixed assets for revolving funds, such as DBOF.

18-5. Capitalization Criteria

a. Capitalize and report as an asset in financial records, fixed and intangible assets meeting both of the following criteria:

(1) Items with an estimated useful life of 2 or more years. The date acquired is the day the item is placed into service or made available for service, whether or not the item is actually used.

(2) Items that equal or exceed the current or previous financial expense/investment threshold as provided in Chapter 250 (Standard Army Classification) and Appendix A (Expense/Investment Criteria) of DA Pam 37-100-FY, and applicable message changes. Assets that have been capitalized at a previous financial threshold and which are not fully depreciated, shall continue to be capitalized (and depreciated, if applicable) at the previous

capitalization threshold. Previous capitalization thresholds are:

<u>PERIOD</u>		<u>AMOUNT</u>
<u>From:</u>	<u>To:</u>	
FY 77 and Prior		\$300
FY 78	FY 84	\$1,000
FY 85	FY 91	\$5,000
FY 92	FY 93	\$15,000
FY 94	FY 94	\$25,000
FY 95		\$50,000

b. Capitalize the cost of additions, improvements, rehabilitations, alterations, betterments, or replacements that extend the service life of the asset. Include transportation, handling, storage, installation, interest preparation, labor (military and civilian), design and engineering, appropriate share of the cost of equipment and facilities used in construction, inspection supervision, legal recording fees, and other related costs of obtaining the assets. Capitalize the costs of assets installed in or added to another asset.

c. Expense rather than capitalize, all maintenance on existing assets, regardless of cost. Expense routine and recurring repair projects or costs intended primarily to preserve an asset or its support systems in the accounting period incurred.

d. Capitalize all construction and repair projects which equal or exceed the current financial expense/investment threshold that either build a new replacement facility, change the function of a facility, or extend the useful life of a facility.

e. Do not record as capital assets items funded or donated on or after the effective date of the latest change to the financial expense/investment threshold, that are valued at less than the threshold, have not been previously recorded in property and financial records, and which do not have pre-existing depreciation schedules.

f. Capitalize previously used fixed assets at cost. If cost data is not available, estimate, document, and capitalize at the fair market value by using:

(1) Cash realized in transactions involving the same or similar assets.

(2) Quoted market prices.

(3) Fair market value of other assets or services received in exchange of property.

(4) Independent appraisals.

g. Capitalize property acquired by trade-in at the lesser of:

(1) Cash paid and/or liability incurred plus net book value of trade-in property, or

(2) The amount that purchase price would have been without trade-in.

h. Capitalize property acquired by foreclosure at the lesser of fair market value or amount owed by the borrower, plus acquisition costs.

i. Capitalize property acquired by donation, bequeath, forfeiture or compensation at fair market value plus costs incurred to place property in use. This includes legal and recording fees.

j. See Chapter 19, for capitalization of computer software.

k. Capitalize property transferred from other U.S. Government agencies without monetary exchange at the amount recorded on the transferor's books. For cash exchanges, capitalize the asset at cost plus related expenses for placing it in service.

l. Record costs you cannot capitalize as general operating expenses. These are costs incurred to maintain fixed assets in operating condition (repair and maintenance expenses).

m. Expense assets, less accumulated depreciation, removed or destroyed in the improvement process.

n. Expense the cost of unsuccessful software development projects.

o. Account for and maintain costs of real property meeting the capitalization criteria in the financial records of the activity that controls access to the real property at fiscal year-end. This includes property used, but not owned, by the U.S. Government.

18-6. Sources and funding of assets

a. Capital assets may be developed, manufactured, transferred, or otherwise procured for use by DBOF activities upon identification in, and approval of, the capital budget section of an activity's Annual Operating Budget.

b. Customers of a DBOF activity must reflect in their capital budget and provide funding for the development, manufacture or procurement of capital assets.

c. Regardless of the ultimate use of the asset, costs incurred in the development, manufacture, or procurement of the asset must ultimately be identified, captured, and recorded as execution against a specific capital budget project.

(1) *Development and manufacture of capital assets.* The total cost to develop or manufacture a capital asset consists of direct and indirect labor and material, contractual and reimbursable support cost, applicable overhead, and general and administrative costs incurred in the development or manufacture of a capital asset. Software development (programs, routines, and subroutines) costs will include the computer operating costs for testing, developing, and parallel processing (see Chapter 19, for capitalization requirements for computer software).

(a) *Capital assets developed or manufactured for customers.* Accumulate in the work-in-process account the total cost of developing or manufacturing assets for customers. Bill customers the negotiated sale or transfer price, and bill according to the percentage of completion method of revenue recognition. Include, but do not limit, the selling or transfer price to the total cost incurred in the development or manufacture of the asset plus any approved surcharges.

(b) *Capital assets developed or manufactured for use by an activity.* Accumulate in the construction-in-progress account the total cost of developing or manufacturing assets. Reduce the construction-in-

progress account by the amount capitalized in the applicable asset account upon completion, delivery and installation of the developed or manufactured asset. Depreciate or amortize the capital asset by the DBOF business area where installed. The Directorate of Public Works (DPW) will provide the balance for construction-in-progress each quarter for minor construction. Negotiate with the local DPW for actual time frames for the feeder report. Assure contact is established with all DPW organizations that support your clients. Values of construction in progress in house are maintained in a different DPW organization than capitalized real property. Therefore, the DAO/FAO may receive two separate reports. However, it is the responsibility of the DPW to reduce construction in progress in house and increase the appropriate real property general ledger account upon completion of a project.

(2) *Procurement of capital assets* The total acquisition cost of a capital asset includes, but is not limited to, contractual cost (excluding authorized discounts paid or payable); reimbursable support cost, applicable overhead, and general and administrative costs incurred when appropriate. Also include any associated costs for transportation, installation, and other related costs necessary to prepare the asset for use.

(a) *Capitalized assets procured for use by DBOF activities.* Record directly to the applicable asset account the total cost incurred by an activity in the acquisition of capital assets for business area use. However, if additional costs are necessary to place the asset in operation (such as installation, modification, testing), accumulate the cost of the asset and associated costs in the construction-in-progress account. When placed into operation, reduce the construction-in-progress account and capitalize that amount to the applicable asset account. Depreciate the capital asset by the DBOF business area where the asset is installed.

(b) *Capital assets procured for customers.* Accumulate in the work-in-process account the total cost incurred by a DBOF activity in the acquisition of capital assets for its customers. Identify costs incurred by the DBOF activity incident to the acquisition, installation, modification, testing, and transportation of the capital asset to a specific output provided in the operating budget section of the Annual Operating Budget. Bill customers the negotiated sales or transfer price, and bill according to the percentage of completion method of revenue recognition. The selling or transfer price will include the total cost of the capital asset that consists of contractual cost (excluding authorized discounts paid or payable), reimbursable support cost, applicable overhead, general and administrative costs incurred in the acquisition of the asset plus any approved surcharges.

(c) *Capital assets centrally procured.*

1. DBOF business areas may serve as a designated central agent to procure capital assets for customers within or outside the DBOF. The procuring business

area will issue contracts to commercial sources, funded orders to other DBOF activities or DoD components as necessary, to satisfy the requirement.

2. DBOF business areas will record in their financial records partial or complete capital assets delivered to and received by the central agent. Record the asset in the construction-in-progress account if the asset is for business area use. Record the asset in the work-in-process account for assets procured for customers. Business areas may sell or transfer capital assets to central agent customers at the negotiated selling or transfer price. The negotiated selling or transfer price will include the total cost of the capital asset consisting of contractual cost (excluding authorized discounts paid or payable), reimbursable support cost, applicable overhead, general and administrative costs incurred in the acquisition of the asset plus any approved surcharges.

3. DBOF business areas will capitalize assets procured by a central agent and distributed and installed in one or more business areas on a pro rata basis in the financial records of each business area, and depreciate in accordance with this guidance. When the pro rata share of the cost of a capital asset distributed and installed at more than one business area does not meet the current financial expense/investment threshold, capitalize and depreciate the asset since the aggregate cost of the asset satisfied the threshold when initially procured.

4. Vendors and contractors may deliver capital assets procured by a central agent directly to the receiving activity. Central agents will record all deliveries and receipts of capital assets in their financial records until completion and sale or transfer to a customer. The ultimate cost of the completed asset will include all incremental deliveries and all additional costs incurred by either, or both, the central agent and the receiving customer in the acquisition of the asset.

(3) *Transfer of capital assets.*

(a) Record at book value capital assets transferred to a DBOF activity for ownership that have pre-existing depreciation schedules and accumulated depreciation. Include any associated costs for transportation, installation, and other related costs necessary to make the asset available for use.

(b) Record at original acquisition cost capital assets transferred to a DBOF activity for ownership that do not have pre-existing depreciation schedules and accumulated depreciation. If acquisition cost is unknown, use a reasonable estimate. Include associated costs for transportation, installation, and other related costs necessary to make the asset available for use. The DBOF activity will record accumulated depreciation (reducing the Invested Capital Account by a like amount) equal to the amount it would have recorded if it had originally acquired the asset and had depreciated it based on its depreciation policy. Calculate depreciation after the transfer based on the net asset amount recorded.

The DBOF activity will then begin recording depreciation expenses on these assets and reporting them in the financial records.

(c) Record, at fair market value, capital assets donated to a DBOF activity for ownership and meeting the capitalization criteria. Include any associated costs for transportation, installation, and other related costs necessary to make the asset available for use. Calculate depreciation of donated assets based on the asset amount recorded. The DBOF activity will then begin recording and reporting depreciation expenses for these assets in the financial records.

(4) *Customer owned capital assets* Charge capital assets acquired specifically for a particular customer without a recurring use for other workload or customer orders to the customer order. Such assets are the property of the customer and are not subject to depreciation expense recovery by a DBOF activity.

d. Apply these rules for funding of capital assets.

(1) Fund all capital assets developed, manufactured, or otherwise procured by a DBOF activity for use of that activity through the DBOF capital budget or Military Construction appropriations (MCAs).

(2) Fund all facility work costing less than the current financial expense/investment threshold as an operating expense in the DBOF.

(3) Routine and recurring work that equals or exceeds the current financial expense/investment threshold, and which is performed to preserve the physical structure or its support system, will be funded as a major real property maintenance expense in DBOF.

(4) Facility investments that equal or exceed the financial expense/investment threshold, but which are less than the current minor construction threshold, are for either a new or replacement facility or changes in the function of a facility, should be funded as an investment within the DBOF Capital Budget.

(5) Fund facility investments that exceed the current minor construction threshold for a new or replacement facility, or for changes in the function of a facility with MCAs.

18-7. Depreciation and amortization

a. Depreciate or amortize assets only if they are capitalized under DBOF and certain other revolving fund activities. Do not depreciate land. Supporting FAOs/DAOs will calculate and report depreciation/amortization for depreciable assets according to these procedures. FAOs/DAOs must obtain a current listing of depreciable/amortizable assets from the accountable real and personal property officers. The FAO/DAO is responsible for maintaining a listing of this property. This listing must include the activity that accounts for or owns the asset, acquisition cost or estimate thereof (including capital improvements), estimated useful or productive life, and estimated salvage value. Activities that have an accounting system that computes and allocates depreciation in accordance with this guidance will use that system.

Activities that do not have such an accounting system will contact the Director, Defense Finance and Accounting Service, ATTN: DFAS-HQ/CE, 1931 Jefferson Davis Highway, Arlington, VA 22240-5291, before developing any computer based depreciation application.

b. Use the straight-line depreciation method based on the original acquisition cost or reasonable estimate thereof, including related costs, less estimated residual value, divided equally among accounting periods during the asset's useful life.

(1) Continue depreciating according to pre-existing depreciation schedules for assets currently on accountable records valued at \$5,000 or more when capitalized and not fully depreciated. Capitalize these assets in the DBOF activity at book value. Do not revise initial estimates of useful life, residual value, or previously recorded depreciation.

(2) Amortize intangible assets according to pay-back periods identified in the Pre-Investment Analysis submitted as justification for the Capital Budget project. Intangible capital assets do not have residual value at the end of the amortization period.

c. Use this depreciation/amortization schedule for DBOF capital assets:

(1) Facilities construction projects (including minor construction): 20 years

(2) Equipment, other than ADP: 10 years

(3) General Purpose Vehicles: 5 years

(4) ADP hardware and software: 5 years

(5) Intangible Assets: As appropriate

d. Begin depreciation/amortization in the later of:

(1) the month following the date of receipt shown on the asset receiving document, or

(2) the asset's installation date or when ready for use (regardless of actual use). Record the asset's depreciation/amortization in equal amounts each month thereafter until the asset is fully depreciated/amortized, disposed of, or otherwise transferred.

e. Retain the cost of an asset in the accounting records when the asset remains in use longer than its estimated useful life. If an asset is used longer than its estimated useful life, retain the asset at its residual value until its final disposition.

f. Apply these rules for depreciating assets acquired during fiscal year 1992 and prior:

(1) Include in the cost of operations for previously industrially funded activities depreciation on all capital assets, including those that have been donated as well as those acquired through the Asset Capitalization Program.

(2) Include in the cost of operations for the Defense Business Operations Fund-Supply Management Army (DBOF-SMA), that was previously unit costed, depreciation of all capital assets installed on or after October 1, 1990.

(a) Capitalize at book value DBOF-SMA assets installed before October 1, 1990, having pre-existing depreciation schedules and accumulated depreciation. Continue recording depreciation expenses on these assets and reporting them in the

financial records as unfunded expenses. Do not record accumulated depreciation previously recorded for the expended portion of the asset.

(b) Capitalize at acquisition cost DBOF-SMA assets installed before October 1, 1990, without pre-existing depreciation. If acquisition cost is un-known, use a reasonable estimate. Record accumulated depreciation (reducing the Invested Capital Account by a like amount) equal to the amount if originally acquired and depreciated based on its depreciation policy. Calculate depreciation after the transfer based on the net asset amount recorded. The DBOF-SMA will then begin recording depreciation expenses on these assets and reporting them in the financial records as unfunded expenses.

g. Include, in the financial records, depreciation/amortization on all tangible and intangible capital assets acquired by all DBOF activities during or after fiscal year 1993. This requirement includes depreciation/amortization on existing plant, property, equipment, and construction, regardless of the source of acquisition funding for these assets.

h. Consider the residual value of a capital asset for depreciation purposes when it exceeds 10 percent of the value of the capital asset, unless the capitalizing activity substantiates a lesser value. Residual value is the estimated salvage value at the end of its useful life. Do not change the residual value over the life of the asset regardless of fair market value changes. Do not depreciate assets below the residual value. Record the asset's monthly depreciation expense until depreciated to its residual value, or when otherwise disposed of. Depreciate as a composite unit assets capitalized as a composite unit; depreciate assets capitalized separately on an individual item basis. (Composite units refer to a group of items capitalized together as a unit rather than as individual items because of the interdependence to each other.) Do not revalue fully depreciated assets unless improvements equal or exceed the current financial expense/investment threshold and extend the useful life of the asset by 2 or more years.

18-8. Accountability

a. Use item (property) accountability systems to maintain financial accounting records to avoid duplication of records. Property records maintained by accountable property officers are subsidiary ledgers to the SGL. FAOs/DAOs will use the subsidiary ledgers to update the SGL at least quarterly.

b. Use the procedures below for recording balances for fixed assets. Also refer to Chapter 19, for "Other Fixed Assets" and "Other Assets."

(1) Accountable real property officers and appropriate facilities engineer activities will furnish the supporting FAO/DAO a memorandum, at least quarterly, reporting summary end-of-period dollar amounts for each category of assets below that meet the financial capitalization threshold:

- Land
- Buildings
- Other Structures and Facilities

- Construction In Progress-In House
- Assets Under Capital Lease
- Leasehold Improvements
- Other Natural Resources

Accountable real property officers and appropriate facilities engineer activities will separately identify values that make up category summaries according to the lowest level of Unit Identification Code (UIC) of a unit that maintains accountable real property records for the assets or is considered the asset "owner" as described in paragraph 18-9 of this chapter. The accountable real property officer will certify the accuracy of capital asset balances reported as of fiscal year-end by adding a certification statement as follows:

I hereby certify that the September 30, 19XX, balances in dollars, by category of real property assets, are correct; the balances, comprising those real property assets meeting the DoD capitalization threshold, are supported by subsidiary real property records; and these balances include all applicable capitalized costs of the real property assets under my responsibility for (name of activity and applicable UICs).

_____ Signature Accountable Real Property Officer	_____ Date
------------------------------------------------------------	---------------

The FAO/DAO will prepare a journal voucher and enter the respective amounts in the accounting system. These steps are necessary for maintaining audit trails, identifying property with the appropriate unit, applying depreciation if appropriate, and ensuring reliable information.

(2) Accountable personal property officers for Table of Distribution and Allowance (TDA) activities for each Department of Defense Activity Address Code (DODAAC) that maintains accountable property records for the assets or "owns" the assets as described in paragraph 18-9 of this chapter, will furnish the supporting FAO/DAO a memorandum, at least quarterly, reporting summary end-of-period dollar amounts for each category of assets below that meet the financial capitalization threshold.

- Industrial Property in Layaway
- Equipment in Use
- Equipment with Contractors, Testing Agencies, Defense Industrial Facilities and Others
- Equipment on Loan
- Property Awaiting Disposal
- Equipment Not in Use
- Equipment in Transit
- Construction in Progress-Government Furnished Materiel

- Assets Under Capital Lease

- Automated Data Processing Software

The accountable personal property officer will certify the accuracy of capital asset balances reported as of fiscal year-end by adding a certification statement as follows:

I hereby certify that the September 30, 19XX, balances in dollars, by category of personal property assets, are correct;

the balances, comprising those personal property assets meeting the DoD capitalization threshold, are supported by subsidiary property book records; and these balances include all applicable capitalized costs of the personal property assets under my responsibility for (name of activity and DODAAC).

_____ Signature	_____ Date
Accountable Personal Property Officer	

The FAOs/DAOs will prepare summary asset category totals from each reporting or "owning" activity, prepare a journal voucher, and enter the respective amounts in the accounting system. These steps are necessary for maintaining audit trails, identifying property with the appropriate unit, applying depreciation if appropriate, and ensuring reliable information.

(3) Equipment owned by TOE and MTOE units is reported centrally to the department level SGL.

c. For property retirement and sale--

(1) Remove assets from the property accounts and the capitalized assets account when retired. Process proceeds in accordance with Chapter 25.

(2) Credit proceeds from the sale of property in a contractor's or subcontractor's custody to the cost of work, according to the contract or subcontract, pursuant to 40 USC 485(e).

(3) See Chapter 37 for procedures for determining selling price of fixed assets.

d. Maintain separate fixed asset financial records for hosts, tenants, and satellite activities.

e. Control U.S. Government furnished property (GFP), U.S. Government furnished equipment (GFE), and U.S. Government furnished materiel (GFM) by summary information in installation accounting records. Contractors will maintain detailed information in their property control system as prescribed by Federal Acquisition Regulations (FAR) 45.505-14 and U.S. Army supplements thereto. Property administrators will obtain the dollar amount of real and personal property, and GFM on each contract administered by U.S. Army installations. This excludes the U.S. Army Material Command subordinate activities that manage wholesale commodity commands. For AMC activities, the real property officer and the property book officer are required to forward real and personal property categories and dollar amounts to the supporting FAO/DAO as prescribed in paragraph 18-3. Property administrators will forward this information to the supporting FAO/DAO as prescribed in paragraph 18-3. Avoid maintaining duplicate records whenever possible. Do not use the same level of detail in the installation's records as in the contractor's records.

f. In cases where the U.S. Army maintains official property records, the property administrator (as exceptions to FAR and FAR supplements) will follow these procedures:

(1) GFE.

Property administrator or property book officers will prepare a memorandum quarterly and submit it to

the FAO/DAO. Also, use the annual fiscal year-end certification cited in this paragraph.

(2) GFM. Management control activities, prescribed by AR 735-5, Policies and Procedures for Property Accountability, will--

(a) Control authorization and use of GFM by separate contract.

(b) Control contractor access to supply systems to ensure contractors only receive materiel authorized under terms of the contract.

(c) Maintain an integrated data base to support both the item accountability and financial information used to update the appropriate SGL accounts based on GFM requested, issued, received, and consumed.

(d) Record consumption data based on data provided by the contractor.

(e) Verify independently inventory held by contractors.

(f) Do not attempt to reconcile SGL accounts to contractor property records using information from DD Forms 1662, DoD Property in the Custody of Contractors.

18-9. Asset ownership

a. Recognize ownership of capital assets in the financial records of the activity that uses the assets in providing goods or services. Financial records for assets capitalized in a DBOF activity must:

- (1) be supported by formal depreciation schedules,
- (2) have all depreciation expenses recorded, and
- (3) include depreciation expenses in rates charged.

b. Determine ownership to identify those organizations entitled to record the capital asset in their property and financial records; and to incur expenses for depreciation of the capital asset, capital asset improvements, and leasehold improvements to property acquired under a capital lease as described in Chapter 19.

c. Consider as owners, for financial recording and reporting purposes, DBOF activities that are sole occupants/tenants of U.S. Government owned facilities or hold capital leases (as opposed to operating leases) on entire buildings and sublet portions of those buildings.

d. Apply the following criteria, in descending order, to determine ownership when DBOF activities are joint occupants/tenants of U.S. Government owned facilities:

(1) Business areas/tenants that can substantiate preponderant use (via direct labor hours, actual hours, population, square footage, metered output, and so forth) of an asset in the production of goods or services for its customers will, for financial recording and reporting purposes, be considered the owners.

(2) Activities that have exclusive responsibility for the maintenance, repair, upkeep, and replacement (Military Construction) of the asset will, for financial recording and reporting purposes, be considered the owners.

(e) Non Appropriated Funds (NAF) activities who paid for a facility will carry that facility on their books.

The facility will also be carried on the installation general ledger.

(f) Army and Air Force Exchange Service (AAFES) activities who paid for a facility will carry that facility on their books. The facility will be placed on the installation general ledger when AAFES no longer uses the facility.

(g) Accounting for facilities bought by private organizations, such as a bank, will be determined based upon the specific agreement between the Army and the private organization.

18-10. Assets used but not owned

DBOF activities that own military aircraft and rolling stock must maintain accountable property and financial records for those assets. Using activities must maintain statistical records to recognize full cost and disclosure. Do not record funded depreciation on these items.

18-11. Property awaiting disposal

a. Property awaiting disposal includes the capitalized value of property officially designated for disposal or recovery.

b. When the disposal activity lacks the resources to dispose of the asset, the activity will maintain the property records for such property until ultimate disposal.

c. The property transferee and transferor will record the transfer in the same accounting period. The disposal activity will not accept accountability until the property is physically received. Unless prohibited from physically receiving the property, disposal accountability will begin when title passes.

d. When transferring property--

(1) Record property in-transit when the transfer begins. Remove from in-transit status when the disposal activity receives and accepts the property.

(2) Include the capitalized value upon transfer of the asset to the disposal activity.

(3) Monitor non-capitalized property awaiting disposal in the property management system.

(4) Account for transportation charges for property going to a disposal activity as current operating costs.

(5) Account for charges to prepare property for disposal as current operating costs.

18-12. Additional Guidance

a. Real property assets consist of land and the rights to land, buildings, to include capitalized additions, alterations, improvements (including leasehold improvements to property acquired under capital lease), rehabilitations, installed building equipment, other structures and facilities, and natural resources. Real property does not include personal property, such as weapons systems and other military equipment.

b. Engineers are to report real property values as assets when the value of the property equals or

exceeds the current capitalization criteria. Journal vouchers will be used to support these entries.

c. Debits to asset accounts are offset by credits to Transfers-in from Others Without Reimbursement.

d. Real property will be recorded and reported in the current year operating appropriation general ledger. Real property will be carried on the host general ledger unless the tenant is a DBOF activity. Balances will be carried forward by the FAO/DAO annually by posting closing and opening entries to the appropriate asset and capital accounts by debiting the appropriate Transfers-Out Without Reimbursement and crediting the real property accounts.

e. The following provides a general description for each category of real property assets to be reported to the FAO/DAO as listed in paragraph 18-8b(1) above:

(1) *Land* This category consists of the acquisition cost (or estimated fair market value if the acquisition cost is unknown) of land and rights (which meet or exceed the capitalization criteria) therein owned or controlled by Army activities (including property used by other activities). The acquisition cost of land includes the purchase price, broker's commission, fees for examining and recording the title and surveying, and any razing and removal costs (less salvage proceeds) of structures that previously existed on the land.

(2) *Buildings* For buildings which meet or exceed the capitalization criteria this is the acquisition cost (or estimated fair market value if the acquisition cost is unknown), including the cost of obtaining and preparing for use. Include capital investment costs (such as capitalizable additions, alterations, improvements, and rehabilitations of all buildings owned or controlled by Army activities, including buildings used by other activities). Equipment permanently installed in buildings is included in the overall building cost.

(3) *Other Structures and Facilities* This is the acquisition cost and capital improvement cost of all structures and facilities (including utilities and ground improvements) owned or controlled by Army activities (including structures and facilities used by other activities) other than land and buildings, which meet or exceed the capitalization criteria. Examples include runways, bridges, port facilities, and railroad tracks.

(4) *Assets Under Capital Lease* This is the fair market value of assets (those which meet or exceed the capitalization criteria) leased under terms which were essentially equivalent to an installment purchase. Treat, as a capital lease, agreements with foreign governments which permit the Army occupancy of facilities at overseas locations.

(5) *Leasehold Improvements* This is the cost (when the cost meets or exceeds the capitalization criteria) of improving, rehabilitating, modifying, or otherwise enhancing the productivity of an asset being used through an operating or capital lease arrangement.

(6) *Other Natural Resources* This is the cost or appraised value of natural resources, such as standing timber or reserves, which meet or exceed the capitalization criteria. Coordinate with the installation foresters to obtain the value of standing timber assets.

(7) *Additional Reporting Guidance - Personal Property.*

(a) Personal property is classified as property of any kind, except real property. For purposes of this regulation, all personal property is considered as being military equipment. TOE equipment is not reported, however all other equipment in use by TOE units is reported. TOE equipment is reported centrally (not in the installation General Ledger) by the Continuing Balance System-Expanded (CBS-X).

(b) Military equipment on property books will be recorded and reported in the current year operating appropriation general ledger of the host or tenant activity as appropriate. Balances will be carried forward annually by posting closing and opening entries to the appropriate asset and capital accounts using Transfers-out Without Reimbursement and Transfers-In Without Reimbursement. This procedure applies to multiple year as well as single year appropriations.

(c) The following provides a general description, by GLAC, for each category of personal property assets to be reported to the FAO/DAO.

1. *Industrial Property in Layaway* This is the value of Army property (that meets or exceeds the capitalization criteria) which is stored for future use in meeting mobilization purposes.

2. *Equipment in Use* This is the acquisition cost (or estimated fair market value if the acquisition cost is unknown) of military equipment placed in use which meets or exceeds the capitalization criteria. Include costs of capitalizable additions, alterations, improvements, and rehabilitations of equipment in use. This account excludes (i) equipment on loan, (ii) equipment with contractors, testing agencies, defense industrial facilities, and other, (iii) equipment being incorporated into work in process or construction in process. Increases to this asset account are made by debiting it, and by subsequently crediting Transfers-In from Others Without Reimbursement.

3. *Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others* This is the value of equipment (that meets or exceeds the capitalization criteria) which is furnished to contractors (including other Federal Agencies, testing agencies, defense industrial facilities and other) for use in providing services or items to the DoD. Equipment recorded in this account is usually returned after use rather than incorporated into an end product, consumed, or expended. This account excludes equipment that (i) has been transferred to a depot maintenance facility for repair or (ii) furnished to be consumed in the performance of a contract, or for incorporation into an end item.

4. *Equipment on Loan* This is the value of Army equipment (which meets or exceeds the capitalization criteria) loaned to others.

5. *Property Awaiting Disposal* This is the value of property (which meets or exceeds the capitalization criteria) designated for disposal, recovery or utilization.

6. *Equipment Not in Use* This is the acquisition value (or estimated fair market value if the acquisition cost is unknown) of equipment not in use, which meets or exceeds the capitalization criteria. Include costs of capitalizable additions, modifications, improvements, and rehabilitations to equipment not in use. Examples include equipment removed from use for depot maintenance or placed in layaway.

7. *Equipment in Transit* This is the acquisition cost of equipment in transit (which meets the capitalization criteria) that has not been received.

8. *Assets Under Capital Lease* This is the fair market value of assets (those which meet or exceed the capitalization criteria) in terms of being leased which were essentially equivalent to an installment purchase. Treat, as a capital lease, agreements with foreign governments which permit the Army occupancy of facilities at overseas locations.

9. *Leasehold Improvements* This is the cost (where it meets or exceeds the capitalization criteria) of improving, modifying, or otherwise enhancing the productivity of an asset being used through an operation or capital lease agreement.

10. *Automatic Data Processing (ADP) Software* This is the value of ADP software owned by the Army for software that meets or exceeds the capitalization criteria.